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ECONOMIC SITUATION IN YUGOSLAVIA

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ECONOMIC SITUATION IN YUGOSLAVIA

Strategic Importance of the Yugoslav Economy.

The stability of the Tito Government depends in a large measure on its ability to maintain a stable economy and to make continued improvements, both in industrial production and living standards. Yugoslavia's break with the USSR prompted various Soviet economic, as well as political and diplomatic, pressures by which the USSR apparently hoped to unseat the Tito Government and replace it with a Soviet-dominated regime. Present indications are that the USSR will continue its economic pressures against Yugoslavia and will seek by all the means at its disposal to exploit Yugoslavia's difficulties in the hope of hampering the latter's economic progress, fomenting internal unrest, and undermining the government. Thus far, the Yugoslav economy has withstood the shock of these measures and, with Western assistance, has made economic progress. The strengthening of the Tito Government constitutes a severe political and ideological setback to the USSR, the repercussions of which cannot yet be fully evaluated. The example of a former satellite state which has broken with the central authority of the USSR and which is showing economic improvement cannot be overlooked by other satellite and near-satellite nations, nor by Communists throughout the world. The damage to Soviet prestige has been accentuated by the general realization both that Western assistance has brought more benefit to a socialist country than Soviet promises and that the West has not interfered in Yugoslavia's domestic affairs.

In addition to this political and ideological setback, Yugoslavia's defection has denied to the USSR certain positive economic and strategic benefits. The USSR can no longer uti-

lize Yugoslavia's economic-strategic potential to strengthen its own power position in the Balkans. Most important, the USSR will also be denied the strategic benefits which would result from the development of Yugoslav ports and bases on the Adriatic, airfields, rocket launching sites, rail lines, roads, storage depots, repair shops, and certain lines of munitions production. Secondly, the USSR and the Satellites can no longer obtain much-needed Yugoslav non-ferrous metals, particularly copper and lead; while Western Europe, particularly Western Germany, Italy, the Netherlands, and the UK will derive new economic benefits from Yugoslav trade.

Estimate of Economic Trends.

The Yugoslav economy has made a strong recovery from the effects of World War II and by mid-1950 had demonstrated its ability to make the adjustments necessitated by the break with the USSR. Production in the three principal segments of the economy—agriculture, forestry, and non-ferrous metals—is above prewar levels. Output of ferrous metals, ferro-alloying elements, coal, electric power, petroleum, chemicals, textiles, and machine tools has reached, and in many instances surpassed, prewar levels. Production in most lines is continuing to expand. The transportation system is supporting more than twice the prewar volume of traffic and is, in general, capable of meeting the needs of an expanding economy.

On the surface, therefore, it would appear that the Tito regime should have no difficulty in maintaining a stable economy capable of supporting the population on a level at least as high, if not higher, than the prewar standard. The basic tenets of a socialist regime, however, have impelled the Tito Govern-

Note: The intelligence organizations of the Departments of State, Army, Navy, and the Air Force have concurred in this report. It contains information available to CIA as of 12 May 1950.

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ment to embark on a program of rapid industrial expansion. Thus, the Five Year Plan (1947-51) as originally conceived, and even as amended following the break with the USSR, represents an ambitious program.

Attempts to fulfill the plan are responsible in part for some of the immediate problems confronting the Yugoslav Government. Any effort of this magnitude, particularly when directed by leaders with little experience in managing an industrial complex, could not fail to produce such "soft spots" as excessive use of equipment with inadequate maintenance and replacements, shortages of industrial managers, engineers, technicians and skilled laborers, a high rate of labor turnover and absenteeism, and a low standard of living. The Tito regime, however, will probably be able to alleviate most of these troubles within the next few years.

Tito's success in strengthening and expanding Yugoslavia's economy will depend primarily on the extent to which he realizes the basic limitations on the rate and extent of economic development possible in a country of Yugoslavia's resources. Yugoslavia has considerable resources in agriculture, forestry, and non-ferrous metals—these not only supply the principal Yugoslav exports but account for a large portion of the national income—and has ample but not fully exploited resources of water power, iron ore, manganese and chrome ore, low-grade coal, and non-metallic minerals such as pyrites, cement, and salt. Yugoslav resources, therefore, are adequate to support gradual industrial expansion considerably beyond prewar levels.

Yugoslav economic expansion, however, is limited in rate and scope not only by the size of the country, but by its deficiencies in certain raw materials, as well as in a broad variety of capital equipment. Important raw material deficiencies include cotton, wool, metallurgical coking coal, high-grade bituminous coal, certain ferro-alloying elements, crude oil, and certain raw materials for chemicals. Moreover, the timber industry will eventually be weakened by overcutting and inadequate reforestation. The capital-equipment shortage cuts across all lines of indus-

try, agriculture, and forestry. The lack of fabricating facilities and technical knowledge makes it necessary to purchase most capital equipment from foreign sources. In addition, replacement parts to maintain existing facilities in sound operating condition must also be purchased abroad.

Committed to a program of industrial expansion, Tito faces the complicated problem of finding sufficient foreign exchange to maintain a balanced economy. Current exports of agricultural, forestry, and non-ferrous metal products are insufficient to pay both for capital expansion in these industries, which have high export potentialities, and for equipment to increase the country's overall industrial capacity. Moreover, the need to import the necessary raw materials and semi-finished and finished products to support the growing industrial machine is producing further strain on the foreign exchange position.

At the end of 1949, Tito faced a serious foreign exchange crisis primarily as a result of extensive purchases of capital equipment. He was temporarily extricated from this position by financial aid from various Western countries and by an International Monetary Fund loan. It is not likely, however, that these loans, coupled with expected foreign exchange earnings, will make up the Yugoslav balance-of-payments deficit for at least three years.

Much of the financial aid already received has been assigned to the purchase of specific equipment to increase Yugoslavia's export capacity and to reduce Yugoslav dependence on imports. However, this equipment is not likely to materially alleviate the foreign exchange shortage before the end of 1951 in view of the time that must elapse before much of it can be produced, delivered, and installed—to say nothing of the difficulty of training personnel in time to operate the equipment effectively. Meanwhile, foreign exchange earnings from current exports, which are not linked with specific purchases, as are most loans, must be carefully allocated to purchase the materials and products necessary to keep a gradually expanding economy in balanced operation. In its eagerness the

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Yugoslav Government has already allocated a disproportionately large share of its earnings from current exports to the purchase of capital equipment, and recent Yugoslav estimates of its 1950 capital equipment requirements together with the 1950 trade agreements thus far concluded indicate that this practice is being continued. Thus, unless the Tito regime lowers its industrial expansion sights, it will be unable to derive the maximum benefits from the loans already received and will probably seek Western aid beyond that presently contemplated. Meanwhile, in its efforts to increase industrial capacity rapidly and to protect Yugoslavia's foreign ex-

change position, the Tito regime has thus far sacrificed the people's standard of living (still below prewar). Popular dissatisfaction with living conditions poses no real threat to the government as long as it uses police state methods, and living standards will rise only slowly if present emphasis on industrial expansion is continued. Although allocating greater supplies of food and materials to consumer industries would force Tito to modify his industrial expansion program, the popularity of the government would increase and labor problems such as absenteeism and rapid turnover would be alleviated.

ANALYSIS OF PRESENT ECONOMIC CONDITIONS

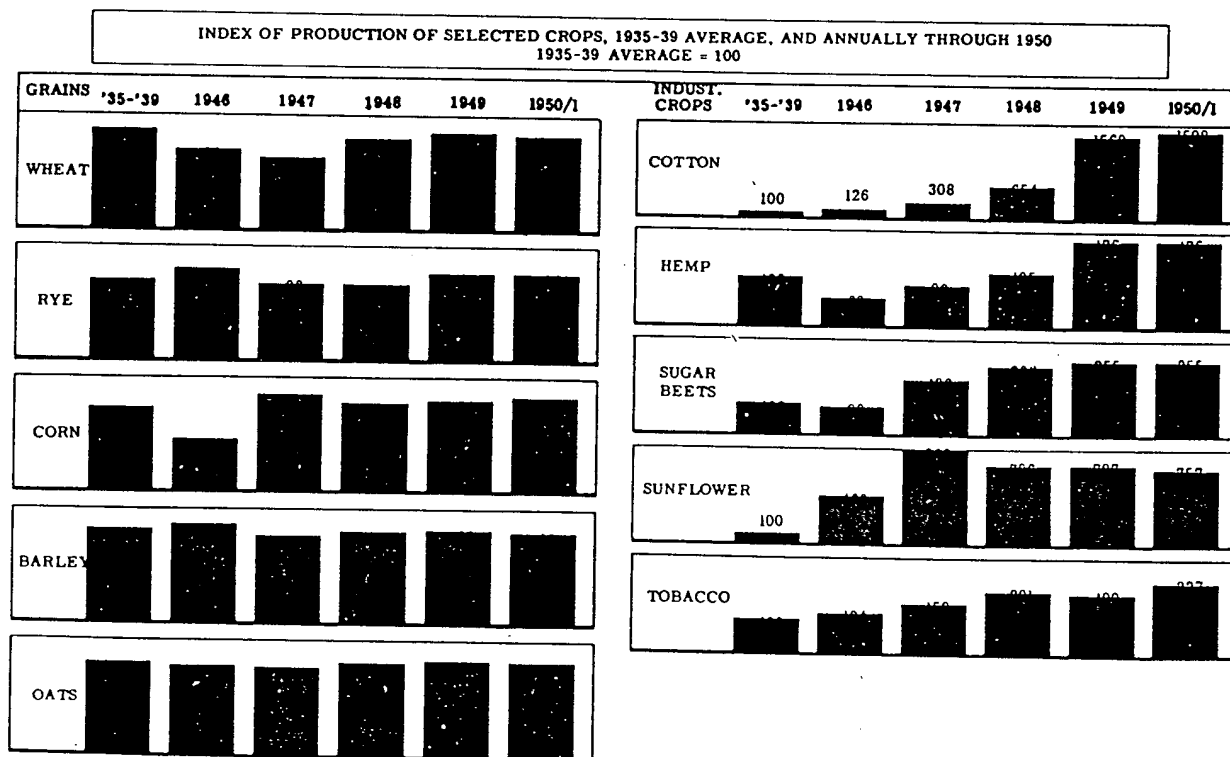
Agriculture and Forestry.

Agriculture made a remarkable recovery after the war, reaching prewar levels in most categories by 1949. Current grain production provides an exportable surplus of 400,000 to 500,000 metric tons, and other crops, particularly the industrial types, have increased significantly. Livestock numbers, with the exception of horses, reached and in some cases exceeded prewar. Although as a result of UNRRA aid the 1948 number of tractors (6,500) was double the prewar number, progress in restoring other farm machinery and equipment has been slow. The collectivization program has been progressing at a rapid rate since 1948 and the government's control over agriculture is being strengthened through cooperatives.

The timber cut is greater today than at any time in the history of the country, and the value of forestry products exports is greater than that of any other commodity. Current government efforts to obtain equipment abroad are designed further to expand shipments of semi-finished and finished wood. The major weakness in the generally satisfactory condition of the lumber industry lies in the present practice of overcutting and the lack of adequate reforestation.

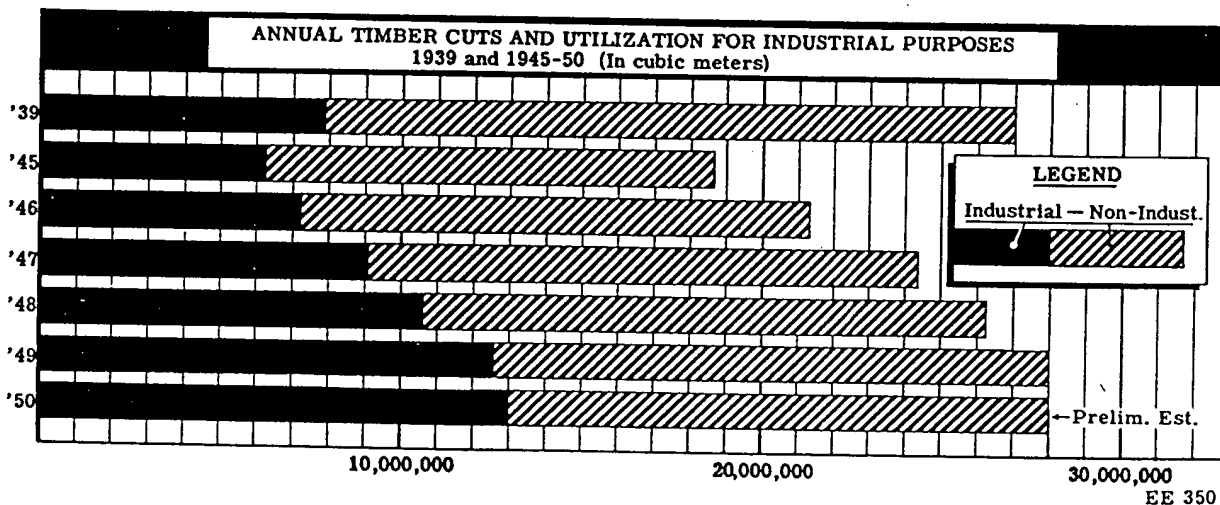
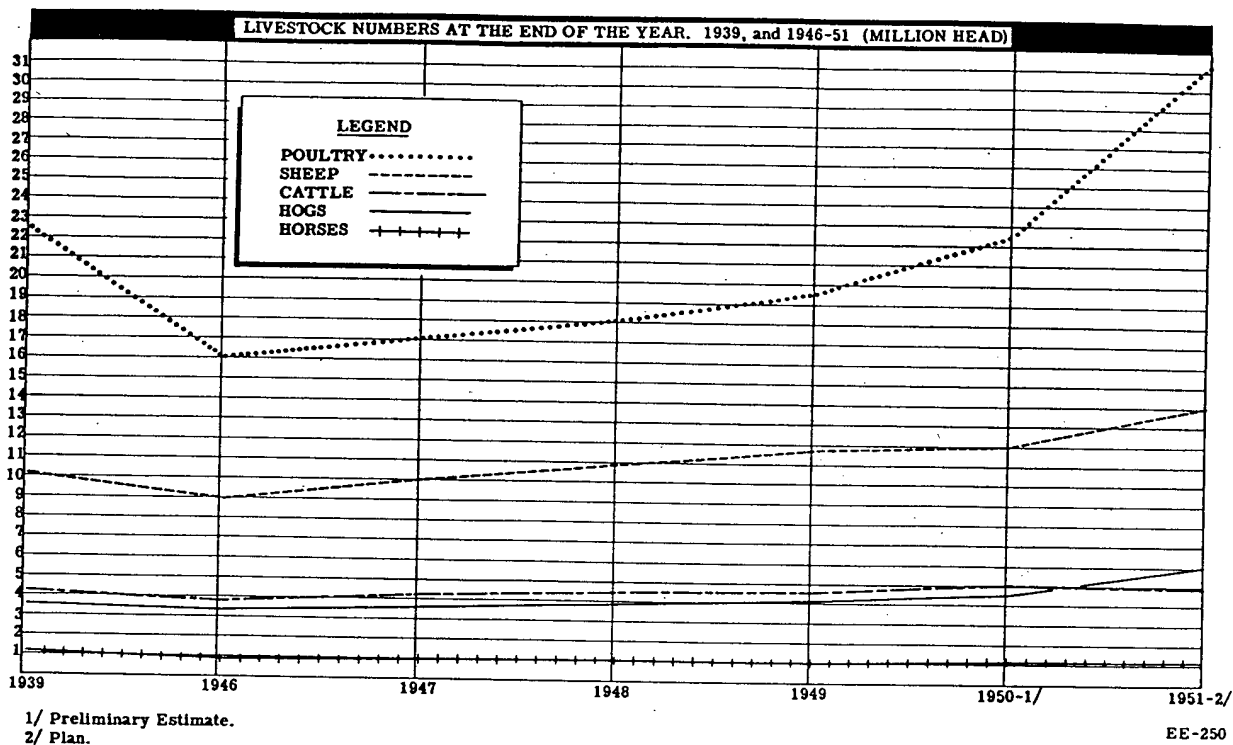
Industry.

Yugoslav non-ferrous metal resources rank among the largest in Europe and provide an important percentage of national income and foreign exchange. Although non-ferrous mines and plants were severely damaged during the war and complete rehabilitation



1/ Preliminary estimate.

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has not yet been attained, production generally is the highest in history, and exports of copper, lead, zinc, mercury, and bauxite currently make up between 10 and 15 percent of the total value of Yugoslav exports. Further increases in production are anticipated with the installation of equipment purchased with the proceeds of various Western loans.

Although ferrous metal production is generally above prewar levels, it does not supply domestic requirements. Raw materials for iron and steel production are plentiful with the exception of metallurgical coke, but the old and inefficiently operated foundries and steel mills lack sufficient capacity to satisfy industry's needs. Domestic production must be supplemented by such imports as scrap

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PRODUCTION OF NON-FERROUS METALS, 1939 AND 1948-51 (METRIC TONS)					
COPPER (SMELTER)	41,659	41,000	34,000	40,000	40,000
LEAD	10,652	40,000	57,000	70,000	65,000
ZINC	4,639 3/	5,000	8,000	10,000	20,000
BAUXITE	320,000	200,000	370,000	250,000 2/	*
	1939	1948	1949	1950 1/	1951 2/

* Not Available

1/ Preliminary estimate

2/ Plan

3/ 1938

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iron, cast and rolled iron, rolled steel, steel bars, and special high quality steels. Present plans to modernize and expand existing facilities and to construct new installations are heavily dependent upon foreign assistance.

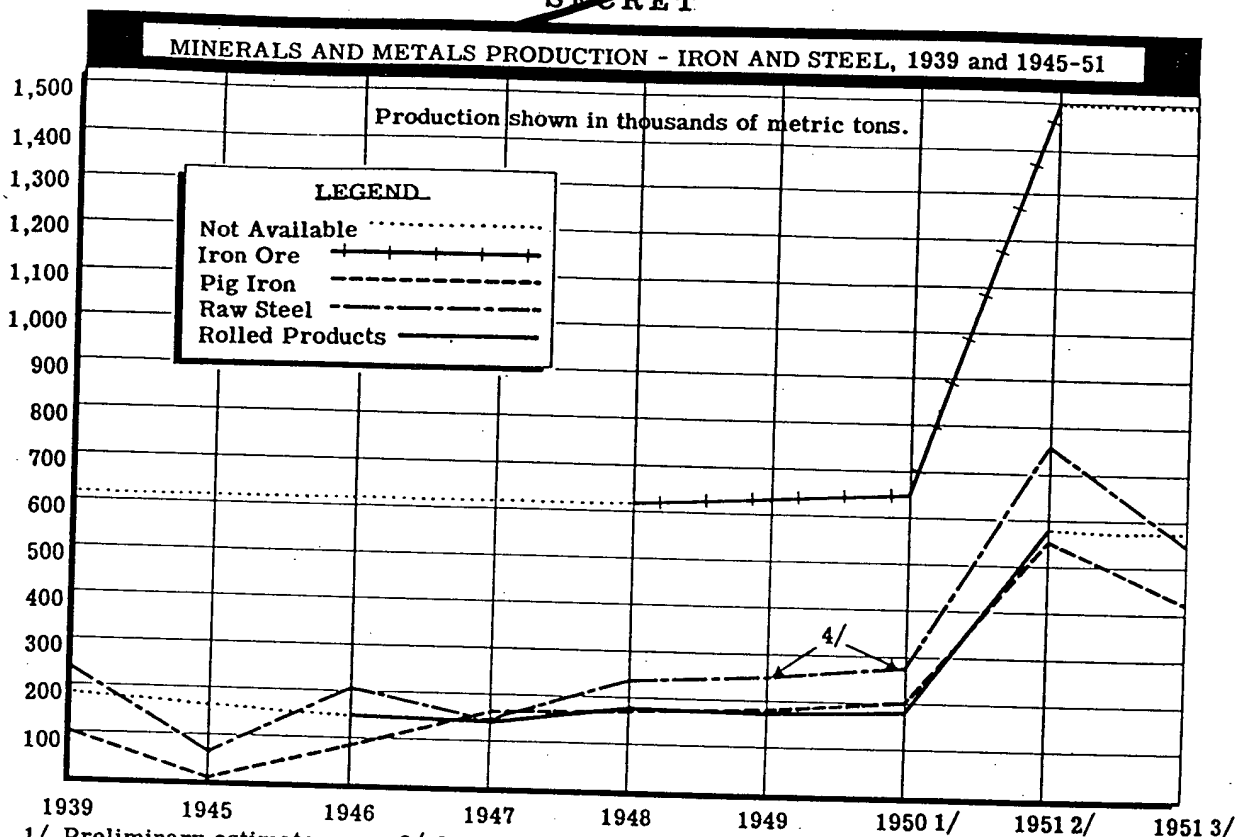
Production of chromium and manganese has made large percentage gains over prewar, but only chromium among the ferro-alloying elements is sufficient to meet internal needs. Resources of manganese and molybdenum, and possibly vanadium and titanium, are adequate for domestic requirements. Until exploited, however, small quantities of these metals must be imported.

Production of fuels and power is generally above prewar levels. Coal output in 1949 was approximately double the 1939 figure and the relatively minor shortages that exist are the result of lower quality and increased requirements. Electric power production has also more than doubled over the same period. In the field of petroleum, crude output increased since prewar from 1,000 metric tons to an estimated 63,000 tons. Meanwhile, refinery output is still about 20 percent below 1939, and steps are being taken to purchase additional refining equipment. There are no cracking facilities. Yugoslavia must still import crude oil and petroleum products including aviation gasoline and lubricating oil.

Except for petroleum and metallurgical coking coal, Yugoslavia is self-sufficient in fuel and power resources. Large quantities of lignite and brown coal are scattered widely over the country, but good grades of bituminous are scarce. Coal, together with the adequate supply of fuel wood, furnishes between 80 and 85 percent of all fuel and power requirements. Less than 10 percent of Yugoslavia's large potential water power is presently developed. Petroleum and natural gas fields, however, would probably not produce enough of either product to satisfy increasing requirements, even if fully exploited.

The major lines of chemicals reflect a general improvement in 1949 over the prewar production levels. War damage in the chemical industry was largely restored by the end of 1946. Despite the fact that much of the usable machinery is old and many of the processes relatively obsolete, it is estimated that the main goals for increased capacity by the end of 1951 are generally feasible. The goals for production in some cases will not be achieved, however, because of the shortage of materials, the lack of export markets or the inability to use the commodity domestically.

The presently small chemical industry can be expanded to permit Yugoslavia to approach self-sufficiency. Enough progress has been

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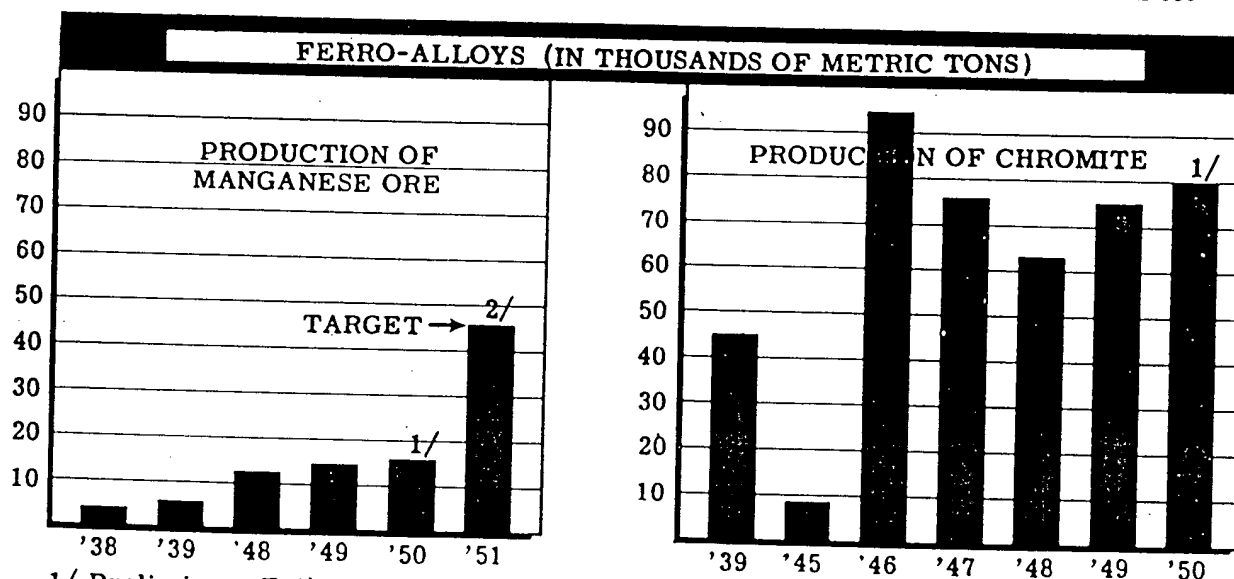
1/ Preliminary estimate.

2/ Original plan.

3/ Revised Plan-attainment doubtful.

4/ Yugoslav official figures place production for 1949 at 400,000 mt and for 1950 at 485,000 mt; however, no evidence is available which would indicate that capacity has been expanded sufficiently since the war to permit this level of output. On the other hand, coke imports for 1948 and coke and scrap requirements listed for 1949 and 1950 indicate that production may be higher than estimated in this report.

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1/ Preliminary Estimate.

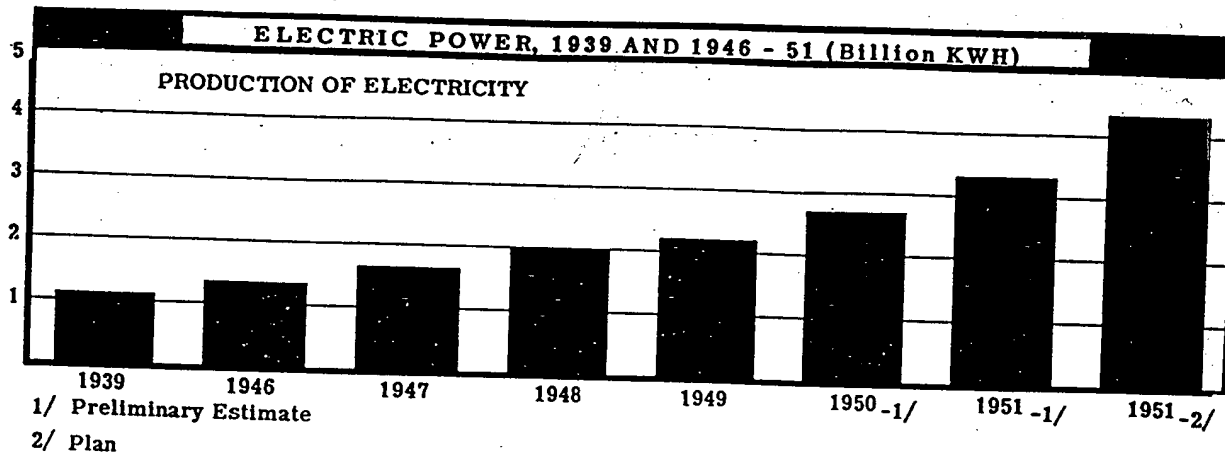
2/ Original Plan (Attainment improbable)

3/ Yugoslav official figures for 1949 and 1950 are 109,000 mt and 98,000 mt, respectively. Although this does not agree with the estimate of this report, this production might possibly be achieved.

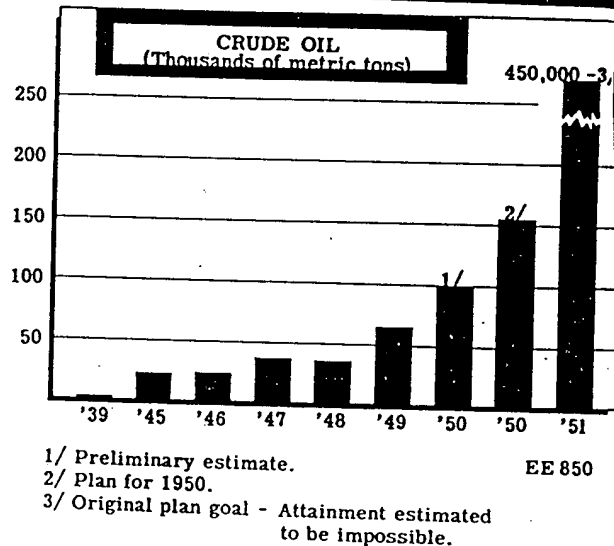
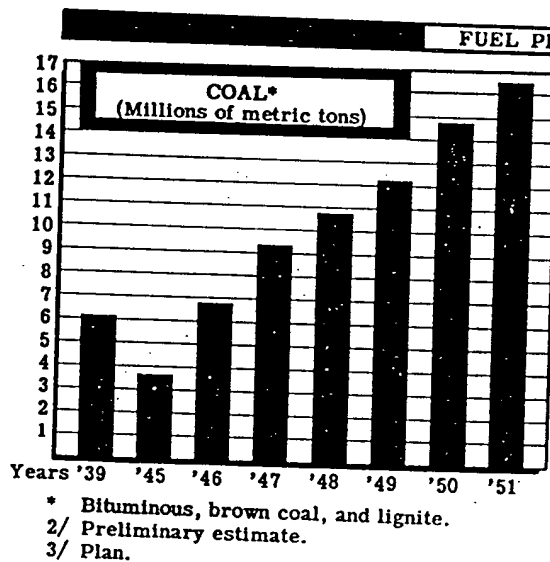
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made in the expansion of productive capacity for calcium carbide, wood distillation chemicals and tannin to permit small exports. Exportable surpluses also exist in caustic soda, soda ash, copper sulphate, and pyrites, but they too represent a small part of foreign exchange earnings.

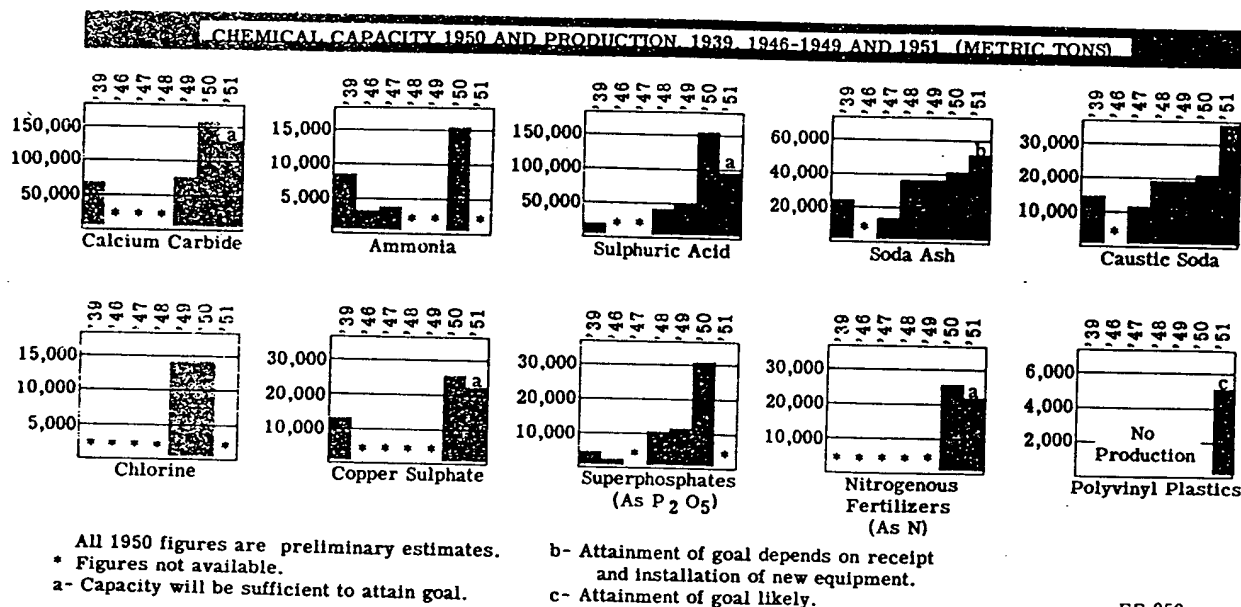
Productive capacity of sulphuric acid, synthetic ammonia, and chlorine is sufficient to meet domestic requirements. There is, however, no coke oven battery to supply the demands of the steel and carbide industries and to produce by-product coal tar for utilization in the output of benzene, toluene, phenol, and other derivatives. The absence of these products also forces a dependence on imports for

pharmaceuticals, dyes, plastics, and other organic derivatives.

In the past, Yugoslavia has had to import salt, potash, and phosphate rock. Although present agricultural production is not dependent upon substantial foreign supplies of the last two items, any long-range plan to increase agricultural production and exports would require extensive use of fertilizers and greater imports of potash and phosphate. Such a development is not likely soon as it would have to be preceded by a program for educating the farmers in the use of such fertilizers.

Yugoslavia has a small rubber industry. Although continued imports of natural rubber will be necessary to supplement synthetic pro-

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duction, sufficient fabricating capacity exists to meet demands for most finished products.

Current production of textiles has increased over the prewar years. Output is still small, however, and production does not fulfill domestic requirements. Approximately 80 percent of the raw materials, principally fibers, yarns, and thread, must be imported in order to maintain production. The shortages in raw materials which developed after the Cominform rift will probably be relieved during 1950. The industry plays a relatively important role in the economy of the country, although operating exclusively for the home market and competing with the handspun and handwoven textiles produced by the peasants.

One of the greatest obstacles to Yugoslav industrial expansion is the virtual absence of a machine tool industry and the tremendous shortage of production equipment and qualified technicians to set up and operate the equipment. Most of the machine tools presently available in Yugoslavia are dismantled reparations equipment; if substantially overhauled, they could equip a dozen or more large factories and satisfy the immediate requirements of maintenance shops. Yugoslavia is thus in no position to manufacture the production equipment upon which all the major programs for expanding industrial, agricultural, and forestry production are based. Pro-

duction of machine tools is limited by shortages in special types of metal working equipment, electrical equipment, anti-friction bearings, abrasives, and a wide range of component parts.

Industrial expansion is further hindered by the shortage of technical manpower to efficiently set up, operate, and repair equipment. Installation of industrial equipment is currently scheduled at a more rapid rate than domestic engineers, technicians, and skilled laborers can be trained. The service of some Germans and Italians has already been procured, but will not solve the problem and Yugoslavia is currently intensifying its efforts to recruit more assistance. Capital equipment imported from the West will not be efficiently utilized unless such assistance is obtained.

The present high rate of labor turnover and absenteeism arising from worker dissatisfaction is creating additional problems in the labor force, but the government will probably be able to alleviate this situation in the coming year. Measures were taken early in 1950 to tighten control.

Living Standards.

Consumption levels are below prewar. Living costs have increased faster than wages. Practically all consumer goods and food are

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rationed, and housing conditions are improving but are still below prewar in urban areas. This disregard of living standards as opposed to emphasis on developing heavy industry is typical of planned economies patterned along Soviet lines. As long as strong police state methods are used to keep the population under control, however, the regime will not be seriously threatened.

Transportation.

Yugoslav railways carry on a ton-kilometer basis 92 percent of the inland freight. A combination of over-exploitation and inadequate maintenance and replacement of track and equipment has placed a heavy strain on the rail system. The addition of some new lines and equipment, and improved traffic control, however, have permitted rail traffic to more than double the peak prewar volume. Current emphasis on the production of rail equipment will gradually strengthen the system and enable it to meet the needs of the expanding economy.

The Cominform break greatly reduced Yugoslavia's Danubian commerce, making the inland fleet, previously under strength, adequate for domestic traffic. Planned increases in domestic waterway traffic will relieve the railways, particularly in the Sava valley, through which the heaviest rail traffic moves.

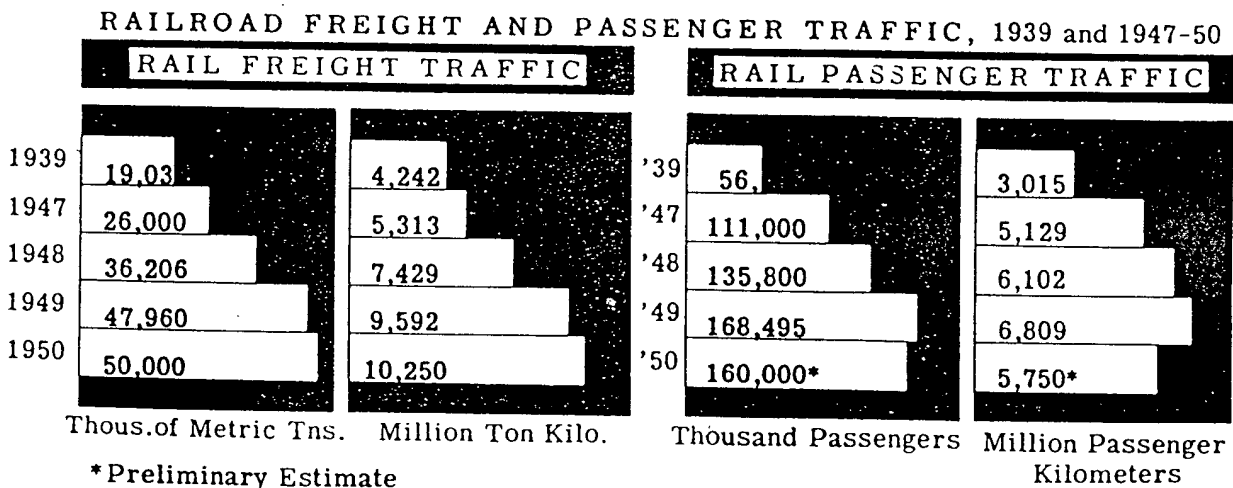
Motor transport is insignificant though it has some function on short hauls. Roads are

primitive; motor vehicles are few and in poor repair; maintenance equipment and personnel are inadequate, and motor vehicle production and repair are dependent on imports for many basic components. Nevertheless, highway transport is being developed and is gradually increasing the flexibility of the transportation system. Civil air transport is of minor importance. Its significance lies almost wholly in its military implications and its ability to provide some rapid communications for government officials.

Domestic Finance.

In 1947 the State Budget became an instrument of State Planning and has since reflected the direction of government economic effort and expenditures. In 1949 the planned budgetary expenditures of 162 billion dinars were almost double that for 1947 reflecting both the increased role of government in the economy and a rise in prices.

The largest expenditures in 1949 were marked for the operation of and investment in state enterprises and for national defense. These categories accounted for about 30 percent and 15 percent of total budgetary expenditures respectively. The defense figure does not include that part of the appropriations for State Administration which are marked for "security" organs nor does it include the value of services rendered by other Ministries to the armed forces. As previously noted, these heavy allocations for investment



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and the military have been a deterrent to improved living conditions and were financed primarily through the turnover tax which reduced the purchasing power of the consumer, thereby limiting the inflationary pressure.

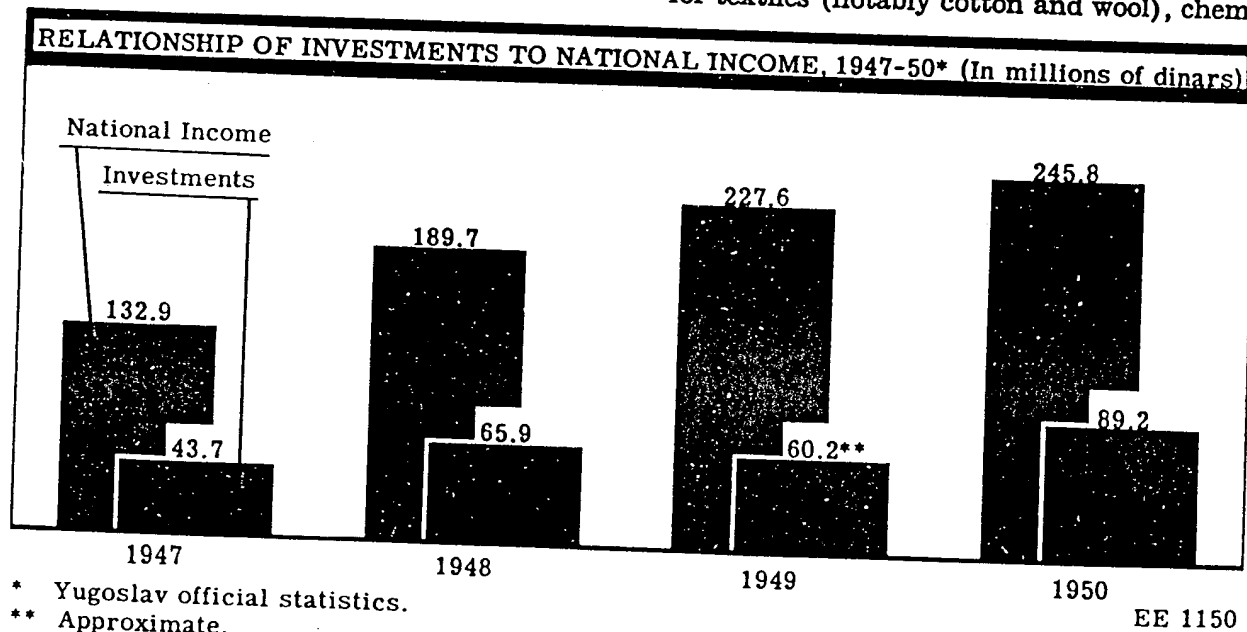
National income in 1949 totalled about 228 billion dinars and was approximately 20 percent above that for 1948. This was primarily the result of production increase and to a lesser extent was probably also attributable to price increases. The high ratio of investment to national income is another reflection of the intense effort to expand the productive capacity of the economy. Although it had dropped from about 35 percent in 1948 to approximately 27 percent in 1949, the 1950 plan calls for a level of investment over 36 percent of national income.

Foreign Trade and Finance.

Yugoslavia's currently tight foreign exchange position stems basically from the fact that Yugoslavia's exportable surplus does not earn enough to purchase: (1) the equipment needed to meet planned increases in the output of exportable goods; (2) the raw materials and equipment needed to keep the expanding economy in balance; and (3) the imports needed to permit a rapid industrialization of the economy and an increase in the standard of living.

In comparison with the suddenness of Tito's political split with the Cominform, trade ties were severed gradually from June 1948 to the spring of 1949, thus permitting Yugoslavia and Satellites to adjust to the new situation. Immediate stoppages were principally petroleum from Rumania and Albania, cotton from the USSR, and, obviously military supplies; coke deliveries were sharply reduced. Although there have been numerous reports of attempts to continue indirect commercial relations between Yugoslavia and Hungary and Czechoslovakia, the small volume of trade that has continued appears to be mainly a clearing up of old commitments.

Meanwhile, trade agreements with practically all the OEEC countries were either initiated or expanded in 1949, with most of the trade conducted with the UK, Italy, Austria (excluding USIA), the US, Netherlands, Belgium, Western Germany, and Switzerland. Leading exports, in order of value, were: timber and timber products; wheat and corn; and ores, metals and metal concentrates (principally non-ferrous). Livestock and livestock products, tobacco, cement, textiles, and some chemicals were exported in smaller quantities. Imports, other than capital equipment, included agricultural products, raw materials for textiles (notably cotton and wool), chemi-

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cals and pharmaceuticals, natural rubber, fuels (largely petroleum and metallurgical coke); and some ores, metals and metal products (especially semi-fabricated iron and steel). Economically, Yugoslavia is already benefiting from the shift of its trade from the East. Except for Czechoslovakia and to a lesser extent Hungary, the Soviet area was a poor source for capital equipment and for certain semi-finished and finished products. Furthermore, the Western countries have successfully replaced the Soviet orbit as suppliers of essential raw materials. The West, too, will benefit from this reorientation of trade, particularly through imports of Yugoslav grain and timber. Western Germany especially will benefit. A re-establishment of the important prewar complementary relationship is indicated by the current annual Yugoslav-West German trade pact totalling \$125 million and representing the largest single Yugoslav trade agreement.

Following the break with the Cominform countries in June 1948, Yugoslavia's gold and foreign exchange holdings (US and Canadian dollars, Swiss francs, and pounds sterling) steadily declined, and by February 1950 had reached a low of 17.5 million, including the deposit of almost \$8 million with the IMF. This drop was largely caused by the necessity of financing purchases of Western industrial equipment and materials and finished products which the East had failed to supply. The grant of approximately \$60 million in Western financial assistance during the last half of 1949 and the \$20 million US Export-Import Bank Loan granted in early 1950 prevented the complete exhaustion of Yugoslavia's foreign exchange reserves, and partially removed the greatest threat to the continuation of Yugoslav trade plans.

Yugoslavia still faces the problem of meeting the large volume of its outstanding obligations. The direction of Yugoslavia toward the West has made the settlement of prewar debt and nationalized properties claims an important issue. As of 1 January 1950, this question was the main obstacle to the conclusion of a trade agreement with France and was becoming an important factor in relations with the US. Under the monarchy,

Yugoslavia incurred a considerable foreign debt—estimated at about \$121 million now outstanding—which it stopped servicing, except for occasional payments, with the advent of the depression. The Tito Government acknowledged these obligations by stating that schedules for any future payments would be dependent on the progress of the country's recovery. The Yugoslavs have also acknowledged a debt of \$120 million for properties nationalized under the 1946 nationalization law or as a result of settlements since then. In addition, the postwar advances from the West, particularly the US, represent a sizable obligation.

Probable Future Developments.

Yugoslavia will continue to expand industry and to collectivize agriculture. Over-all industrial increases are expected even though some of the plans will not be fulfilled on time. However, if an intensive program for further developing an armament industry is initiated, as Tito has indicated might be done, it will be done at the expense of industrial development.

During the next five years steady progress will be made toward collectivization of agriculture. Even though peasant opposition to collectivization may temporarily decrease production somewhat, the government will have greater control over the procurement and distribution of agricultural produce and thus a decline in production will not necessarily decrease exports. Income from agricultural shipments will probably expand because of the higher proportion of processed foods. Additional steps will also be taken to diversify agriculture in order to further increase production of industrial crops and attain a higher degree of self-sufficiency.

In an attempt to provide additional revenue, overcutting of Yugoslavia's forests will continue. Success in the drive to export more semi-finished and finished timber products will depend largely on increased mechanization made possible by current loan agreements.

Some progress will be made in the iron and steel industry, but achievement of planned goals by the end of the Five Year Plan is

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doubtful. Even if Yugoslavia is successful in procuring necessary installations and equipment, full operation of facilities will not be attained before the termination of the plan.

Loans from the US Export-Import Bank and the UK and the contemplated IBRD loan all provide for equipment for the non-ferrous metal industry. When imports based on these loans materialize, the industry can be rehabilitated and expanded, thereby permitting increased production and exports. The full effect of this equipment will not be apparent by 1951, but substantial increases are expected and in general planned goals will be attained.

The capacity of the chemical industry will be increased by 1951, but the industry will still be dependent on foreign sources for certain semi-finished and finished products. The over-all planned goals for increased capacity are considered feasible, and completion of the first coke oven batteries at Zonica and Lukavac could supply a large part of requirements for coal tar derivatives. The synthetic rubber industry will still be dependent on imports of natural rubber.

In the field of fuel and power, coal production will continue to increase but will probably be unable to keep pace with long-range industrial expansion unless the quality of coal mined is improved. Output of crude oil will also continue to rise but will not satisfy domestic requirements. Refining capacity will also be short of internal needs and it is not likely that there will be any cracking capacity by the end of 1951. Electric power output will show further increases, with a heavy emphasis on the development of water power. The original goal of 4.35 billion kwh will not be achieved, but gains will be sufficient to satisfy domestic demands.

The general shortage of production equipment will still represent a basic limitation on economic expansion at the end of 1951. Equipment requirements for most major lines of industry and for agriculture and forestry must be largely satisfied by imports, because domestic production of equipment will continue to be inadequate and will be retarded by shortages of machine tools, engineers, tech-

nicians, and skilled workers. Spare parts for replacement on existing equipment must also be imported.

The transportation system will be less dependent on foreign supplies than other segments of the economy because of the increased domestic manufacture of transportation equipment. The system will be capable of increasing its capacity and will keep pace with the increasing demands of the economy.

Problems arising out of the shortage of industrial managers, engineers, technicians, and skilled laborers will be of lesser magnitude by 1951. Assistance from foreign technicians (Italian, West German, and possibly US), educational programs, and experience on the job will improve efficiency. Nevertheless, present schedules call for installation of new equipment at such a rapid rate that it will outrun the availability of trained personnel.

Other labor problems arising from worker dissatisfaction, such as the high rate of labor turnover and absenteeism, will be modified by more stringent government controls. New measures to meet this problem were introduced at the beginning of 1950. The government, however, will still have the problem of improving working conditions and the standard of living. Although the living standard should gradually improve, the rate of progress will be slowed by continued strenuous efforts to develop heavy industry. Moreover, when the program for collectivization of agriculture is put into full effect, living standards will suffer, particularly in the rural areas. This program will bring a decrease in agricultural production and the government will make its greatest effort to keep up the living standard of the industrial workers.

Future economic development within the basic limitations of labor and material resources will depend in a large measure on the receipt of foreign loans and the proper allocation of all foreign exchange resources. To continue expansion, maintain a balanced economy, and meet its foreign financial obligations, Yugoslavia must import equipment which can be utilized to increase exportable surpluses. Current loan agreements have given such purchases a high priority, but most

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of this equipment will probably not be in operation by 1951 and will not play a large role in correcting the present import balance by that date. It is estimated, therefore, that

Yugoslavia will not be able to increase exports and other sources of foreign exchange sufficiently to correct the import balance for at least three years.

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APPENDIX

PRODUCTION INDEXES FOR SELECTED
INDUSTRIES, 1947-50
(1939=100)

Minerals and Metals

Iron, Steel, and Ferro

Alloys:	1947	1948	1949	1950 ¹
Iron ore.....	n. a.	100	102	106
Pig iron.....	161	170	183	198
Raw steel.....	64	85	100	106
Rolled steel.....	79	96	97	98
Chromite.....	168	140	166	177
Manganese ore.....	n. a.	222	245	280

Non-Ferrous Metals:

Copper ²	n. a.	98	82	96
Lead ²	n. a.	376	531	657
Zinc ²	n. a.	108	173	216
Bauxite.....	n. a.	63	116	78 ⁴
Aluminum.....	n. a.	125	100	117 ⁴

Fuel and Power

Coal.....	153	178	200	244
Crude oil.....	3,856	3,632	6,300	10,000
Electric power.....	147	182	200	245

Chemicals

Calcium carbide.....	n. a.	n. a.	110	— ¹
Caustic soda.....	79	133	133	— ¹
Soda ash.....	56	159	159	— ¹
Sulphuric acid.....	n. a.	272	321	— ¹

Textiles

Cotton and woolen fabrics.....	n. a.	104	123	127
--------------------------------	-------	-----	-----	-----

Rail Transportation

Freight traffic (metric tons kilometers).....	125	175	226	241
Freight traffic (metric tons).....	137	190	251	262
Passenger traffic (passenger kilometers).....	170	202	225	190
Passenger traffic (passengers).....	198	243	300	284

¹ Projection on basis of present trends and estimated future capabilities.

² Smelter.

³ 1938=100.

⁴ 1950 Plan.

⁵ Production for 1950 will be determined by availability of raw materials and requirements for consumption and export. Capacity is sufficient to permit expanded output.

MINERALS AND METALS PRODUCTION

Iron and Steel, 1939 and 1945-51
(metric tons)

Year	Iron Ore	Pig Iron	Raw Steel	Rolled Products
1939	613,000	101,000	235,000	183,000
1945	n. a.	11,100	67,000	n. a.
1946	n. a.	82,800	202,100	148,000
1947	n. a.	163,000	150,000	145,000
1948	613,000	172,000	200-235,000	175,000
1949	625,000	185,000	235-250,000 ¹	178,000
1950 ¹	650,000	200,000	250-275,000 ¹	180,000
1951 ²	1,500,000	550,000	760,000	570,000
1951 ³	n. a.	420,000	550,000	n. a.

Manganese Ore, 1939 and 1948-51
(metric tons)

1939	5,700
1948	12,700
1949	14,000
1950 ¹	16,000
1951 ²	46,000

Chromite, 1939 and 1945-50
(metric tons)

1939	45,000
1945	8,500
1946	94,000
1947	76,000
1948	63,000
1949	75,000 ¹
1950 ¹	80,000 ¹

¹ Preliminary estimate.

² Original plan.

³ Revised plan—attainment doubtful.

⁴ Yugoslav official figures place production for 1949 at 400,000 mt and for 1950 at 485,000 mt; however, no evidence is available which would indicate that capacity has been expanded sufficiently since the war to permit this level of output. On the other hand, coke imports for 1948 and coke and scrap requirements listed for 1949 and 1950 indicate that production may be higher than estimated in this report.

⁵ Attainment of plan improbable.

⁶ Yugoslav official figures for 1949 and 1950 are 109,000 mt and 98,000 mt, respectively. Although this does not agree with the estimate of this report, this production might possibly be achieved.

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MINERALS AND METALS PRODUCTION (Continued)
Non-Ferrous Metals and Non-Metallic Minerals, 1939 and 1948-51
 (metric tons)

<i>Production</i>	1939	1948	1949	1950 ¹	1951 ²
Copper (smelter)	41,659	41,000	34,000	40,000	40,000
Lead	10,652	40,000	57,000	70,000	65,000
Zinc	4,639 ³	5,000	8,000	10,000	20,000
Bauxite	320,000	200,000	370,000	250,000 ²	n. a.
Aluminum	2,400	3,000	2,400	2,800 ²	2,000
Mercury ⁴	10,457	10,000	10,525	10,500	n. a.
Antimony	3,337	n. a.	5,000	5,000	n. a.
Pyrites	127,991	n. a.	n. a.	200,000	n. a.
Gold (kgs)	2,000 ⁵	n. a.	n. a.	n. a.	n. a.
Silver (kgs)	71,340	n. a.	n. a.	100,000	n. a.

¹ Preliminary estimate.² Plan.³ Capacity is available to produce more but plans indicate a reluctance to increase output at this time.⁴ In flasks of 76 pounds.⁵ 1938.

FUEL AND POWER PRODUCTION

Crude Oil, 1939 and 1945-51
 (metric tons)

<i>Year</i>	<i>Production</i>
1939	1,000
1945	20,580
1946	21,283
1947	38,558
1948	36,319
1949	63,000
1950 ¹	100,000
1950 ²	155,000
1951 ²	450,000

Electric Power, 1939 and 1946-51
 (billion KWH)

<i>Year</i>	<i>Production</i>
1939	1.10
1946	1.35
1947	1.62
1948	2.00
1949	2.20
1950 ¹	2.70
1951 ¹	3.30
1951 ²	4.35

¹ Preliminary estimate.² Plan for 1950.³ Original Plan Goal—attainment estimated to be impossible—believed to have been lowered.¹ Preliminary estimate.² Plan.

Coal, ¹ 1939 and 1945-51
 (thousands of metric tons)

<i>Year</i>	<i>Production</i>
1939	6,068
1945	3,611
1946	6,804
1947	9,291
1948	10,788
1949	12,121
1950 ²	14,800
1951 ²	16,500

¹ Bituminous, brown coal and lignite.² Preliminary estimate.³ Plan.~~SECRET~~

CHEMICAL CAPACITY 1950 AND PRODUCTION, 1939, 1946-49, AND 1951
(metric tons)

	1939	1946	1947	1948	1949	1950 ¹ Estimated Capacity	1951 Production Plan
Calcium carbide	63,600	n.a.	n.a.	n.a.	70,000	153,000	126,000 ²
Ammonia	8,200	3,000	3,600	n.a.	n.a.	15,000	n.a.
Sulfuric acid	14,000	n.a.	n.a.	38,200	45,000	150,000	92,000 ²
Soda ash	22,000	n.a.	12,350	35,000	35,000	40,000	50,000 ²
Caustic soda	13,900	n.a.	11,000	18,500	18,500	20,000	35,000 ²
Chlorine	n.a.	n.a.	n.a.	n.a.	14,000	14,000	n.a.
Copper sulphate	12,800	n.a.	n.a.	n.a.	n.a.	25,000	22,000 ²
Superphosphates (as P ₂ O ₅)	4,000	2,000	n.a.	10,000	10,700	30,000	n.a.
Nitrogenous fertilizers (As N)	n.a.	n.a.	n.a.	n.a.	n.a.	25,000	22,000 ²
Polyvinyl plastics	None	None	None	None	None	None	5,000 ²

¹ Preliminary estimate.

² Capacity will be sufficient to attain goal.

³ Attainment of goal depends on receipt and installation of new equipment.

⁴ Attainment of goal likely.

RAILROAD FREIGHT AND PASSENGER TRAFFIC, 1939 AND 1947-50

	1939	1947	1948	1949	1950
<i>Freight Traffic</i>					
Tons ¹	19,032,000	26,000,000	36,206,000	47,960,000	50,000,000 ²
Ton-kilometers ¹	4,242,000,000	5,313,000,000	7,429,000,000	9,592,000,000	10,250,000,000 ²
<i>Passenger Traffic</i>					
Thousand passengers	56,165	111,000	135,800	168,495	160,000 ²
Million passenger kilometers	3,015	5,129	6,102	6,809	5,750 ²

¹ Metric tons.

² Preliminary estimate.

TEXTILE PRODUCTION, 1939 AND 1948-50
(1,000 meters)

	1939	1948	1949	1950 ¹
Cotton and woolen fabrics	150,080	156,344	185,000	190,000

¹ Preliminary estimate.

FORESTRY

Annual Timber Cuts and Utilization for Industrial Purposes, 1939 and 1945-50

Year	Total (cu. meters)	Index (1939=100)	For Industrial Purposes (cu. meters)	Index (1939=100)
1939	27,000,000	100	7,900,000	100
1945	18,700,000	69	6,300,000	80
1946	21,320,000	79	7,200,000	91
1947	24,406,000	90	9,089,000	115
1948	26,272,000	97	10,643,775	133
1949	28,000,000	104	12,700,000	161
1950 ¹	28,000,000	104	13,000,000	165

¹ Preliminary estimate.

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**AGRICULTURAL PRODUCTION INDEX,
1947-50**

(1935-1939 average=100)

	1947	1948	1949	1950 ¹
Grains				
Wheat	71	90	97	94
Rye	93	93	106	106
Corn	114	105	108	112
Barley	92	98	100	97
Oats	94	101	104	102
Industrial Crops				
Cotton	308	654	1,569	1,598
Hemp	83	105	176	176
Sugar Beets	186	236	255	255
Sunflower	930	786	787	757
Tobacco	159	201	190	227
Potatoes	101	116	112	115
Livestock Numbers				
Horses	n.a.	78	78	86
Cattle	100	105	106	118
Hogs	100	109	117	123
Sheep	97	106	115	118

¹ Preliminary estimate.

AGRICULTURE

Production of Selected Crops, 1935-39 Average and 1946-50
(thousands of metric tons)

COMMODITY	1935-39 (Average)	1946	1947	1948	1949	1950 ¹
Grains						
Wheat	2,659	2,136	1,905	2,400	2,586	2,500
Rye	216	241	203	203	229	229
Corn	4,455	2,693	5,080	4,696	4,824	5,000
Barley	411	429	381	404	412	400
Oats	322	312	305	327	335	330
Total	8,063	5,811	7,874	8,030	8,366	8,459
Industrial Crops						
Cotton	0.688	0.872	2.12	4.5	10.8	11.0
Hemp	40.9	24.7	34.1	43.2	72.0	72.0
Sugar Beets	616.0	545.0	1,150.0	1,457.0	1,575.0	1,575.0
Sunflower	16.5	77.5	153.6	129.7	130.0	125.0
Tobacco	15.4	19.1	24.5	31.0	29.4	35.0
Potatoes	1,686.0	1,290.0	1,700.0	1,957.0	1,905.0	1,950.0

¹ Preliminary estimate.

Livestock Numbers at the End of the Year, 1939, and 1946-51
(1,000 head)

ITEM	1939	1946	1947	1948	1949	1950 ¹	1951 ²
Horses	1,274	892	974	1,000	1,000	1,100	1,161
Cattle	4,225	3,826	4,244	4,439	4,500	5,000	4,920
Hogs	3,504	3,350	3,531	3,850	4,150	4,500	6,000
Sheep	10,154	8,987	9,882	10,800	11,600	12,000	14,000
Total	19,157	17,055	18,631	20,089	21,250	22,600	26,081
Poultry	22,400	16,000	17,000	18,000	19,500	22,400	31,300

¹ Preliminary estimate.

² Plan.

~~SECRET~~

GOLD AND FOREIGN EXCHANGE HOLDINGS*
as of February 28, 1950

GOLD	<i>Kilograms</i>	<i>Dinars</i>	<i>US dollars</i>
In vaults	871.73874 ¹	49,047,333.37 ¹	
Abroad	5,257.45053	295,804,141.95	
International Monetary Fund	7,001.43890	393,927,553.78	
TOTAL	13,130.62817	738,779,029.10	14,775,580.58

FOREIGN EXCHANGE

<i>Unrestricted</i>	<i>National Currency</i>	<i>Dinars</i>	
US dollars	1,944,396.48	97,219,824.—	
Canadian dollars	5,135.60	232,904.59	
Pounds Sterling	248,091.08.11	34,732,802.94	
Swiss Francs	113,720.73	1,300,313.66	
Checks in foreign currency		133,485,845.19	2,669,716.90 ²
		4,726,043.82	94,520.87 ³
		TOTAL	17,539,818.35

* Official Yugoslav report.

¹ Head Office of the National Bank Only.

² Restricted Foreign exchange, not included above, equivalent to US dollars 313,826.39; foreign exchange under reserve, not included above, US dollars 17,904.

³ Preliminary data.

BALANCE OF PAYMENTS * (millions of US dollars)			<i>Dollars</i>	
	<i>1948</i>	<i>1949</i>	<i>Imports</i>	
<i>All currencies</i>			Capital goods	0 3
Imports	316	295	Other	66 59
Exports	302	189	Total imports	66 62
Trade deficit	-14	-106	Exports	8 16
Net invisible payments	+ 7	+ 8	Trade deficit	-58 - 46
	- 7	-114	Net invisible payments	+ 4 + 1
			Current account	-54 - 45
			Net capital receipts	n.a. + 3 ²
			Dollar deficit ¹	n.a. - 42

¹ Probably covered by gold, foreign exchange, and loans.

² Includes \$6 million payment on nationalized property and \$9 million International Monetary Fund drawing.

* Tables relating to foreign trade and foreign exchange should be used with caution. These tables are not always comparable because, as noted in the footnotes of the individual tables, some are based on Western trade statistics and some on Yugoslav figures. The problems arising out of cross rate discrepancies, differences in reporting trade data (C.I.F. and F.O.B.), differences in methods of collecting data and the incompleteness of some data, obviate a meaningful comparison.

~~SECRET~~GEOGRAPHICAL COMPOSITION OF FOREIGN
TRADE

(millions of US dollars)

EXPORTS			IMPORTS		
<i>Cominform East</i> ¹	1948	1949	<i>Cominform East</i> ¹	1948	1949
Albania	12.4		Albania	6.0	.
Bulgaria	6.8		Bulgaria	16.6	.
Czechoslovakia	48.6	8.6	Czechoslovakia	52.2	17.7
Hungary	26.8	3.9	Hungary	13.9	6.5
Poland	23.7	5.0	Poland	23.1	6.5
Rumania	3.1		Rumania	5.4	.
Sovzone Germany	4.5		Sovzone Germany	12.1	.
USIA (Sovzone Austria)	6.2		USIA (Sovzone Austria)	5.0	.
USSR	45.5	9.1	USSR	33.7	4.7
	177.6	26.6 ⁴		168.0	35.4 ⁴
<i>Non-Cominform East</i> ²			<i>Non-Cominform East</i> ²		
Finland	.7	.6	Finland	.7	1.0
<i>OEEC Countries</i> ²			<i>OEEC Countries</i> ²		
Austria	12.4	17.3	Austria	9.7	21.4
Belgium	8.7	5.3	Belgium	14.8	13.1
Denmark	.5	3.1	Denmark	.4	1.3
France	3.9	3.4	France	5.1	8.5
Germany	.7	6.1	Germany	1.1	11.8
Greece	.7	1.0	Greece	.	.
Italy	17.5	15.7	Italy	21.8	24.3
Netherlands	19.8	14.8	Netherlands	10.1	11.2
Norway	.6	.5	Norway	.2	.2
Sweden	7.8	6.6	Sweden	3.8	6.3
Switzerland	7.9	6.0	Switzerland	8.9	9.5
Turkey	.3	.7	Turkey	.	.2
UK	18.4	44.9	UK	12.1	16.0
	99.2	125.4		88.0	123.8
<i>Other</i> ³			<i>Other</i> ³		
Canada	.	.	Canada	2.3	.7
Egypt	10.1	5.0	Egypt	5.2	10.0
India	.	.6	India	.3	1.1
Israel	n.a.	1.4	Israel	n.a.	n.a.
Pakistan	n.a.	n.a.	US	8.0	20.9
US	4.6	14.2	Miscellaneous ⁵	20.0	25.0
Miscellaneous ⁶	.	3.5		15.8	57.7
	14.7	23.2		292.5	216.5
	292.2	176.7			

¹ Based on Yugoslav statistics.² Statistics taken from official Western sources and converted at official rates of exchanges; no adjustments made for freight, insurance, and other charges.³ Trade for first nine months. Trade for last three months relatively insignificant.⁴ Negligible.⁵ Mainly trade with Latin America (Argentina).⁶ Insufficient data to permit estimate.¹ Based on Yugoslav official statistics.² Statistics taken from official Western sources and converted at official rates of exchanges; no adjustments made for freight, insurance, and other charges.³ Negligible.⁴ Trade for first nine months. Trade for last three months negligible.⁵ None.⁶ Mainly trade with Latin America (Argentina) and Middle East (crude oil). Estimated.~~SECRET~~

COMMODITY COMPOSITION OF YUGOSLAV
FOREIGN TRADE

(millions of US dollars)

	1948 ¹	1950 ²
Exports		
Plant and plant products (largely wheat and corn)	138.9	69.4
Livestock and livestock products	13.0	16.8
Timber and timber products	69.0	63.7
Ores, metals, and metal concentrates	45.6	35.0
Other (mainly chemicals, textiles, fuel)	35.7	15.2
Total exports	302.2	200.1
Imports		
Agricultural products (except hides and leather)	18.2	8.5
Hides and leather products	18.3	13.1
Textiles	83.0	61.2
Chemicals and pharmaceuticals	33.4	29.8
Fuels (mostly POL)	28.5	19.3
Ores, metals and metal products	51.5	76.1
Capital goods	72.6	114.7
Other	10.2	
Total imports	315.7	322.7

¹ Yugoslav official trade data.² Yugoslav official estimate of requirements and export capabilities.PLANNED STATE BUDGET, 1949-50
(billions of dinars)

Planned Revenues

	1949	1950
State Economic Sector		
Turnover tax	72.0	76.8
Profit from sale of state goods	14.7	24.8
Social insurance (employers' share)	12.1	17.9
Other (working funds and anticipated savings in production costs)	8.5	10.2
Subtotal	107.3	129.7
Population Sector		
Income tax	17.8	16.3
Social insurance (employee's share)	5.4	.5
Estate and gift duties	1.4	.3
National loan		3.0
Subtotal	24.6	20.1
Governmental Offices and Institutions		
(Traditional fees and levies)	3.2	3.9
Other Receipts		
(Includes sale of reparation goods and custom duties)	11.2	12.0
Surplus Receipts (From preceding budgets)	15.6	8.0
TOTAL	161.9¹	173.7

¹ Actual 1949 revenues of 163.5 billion dinars paralleled planned receipts.PLANNED STATE BUDGET, 1949-50 (Continued)
(billions of dinars)

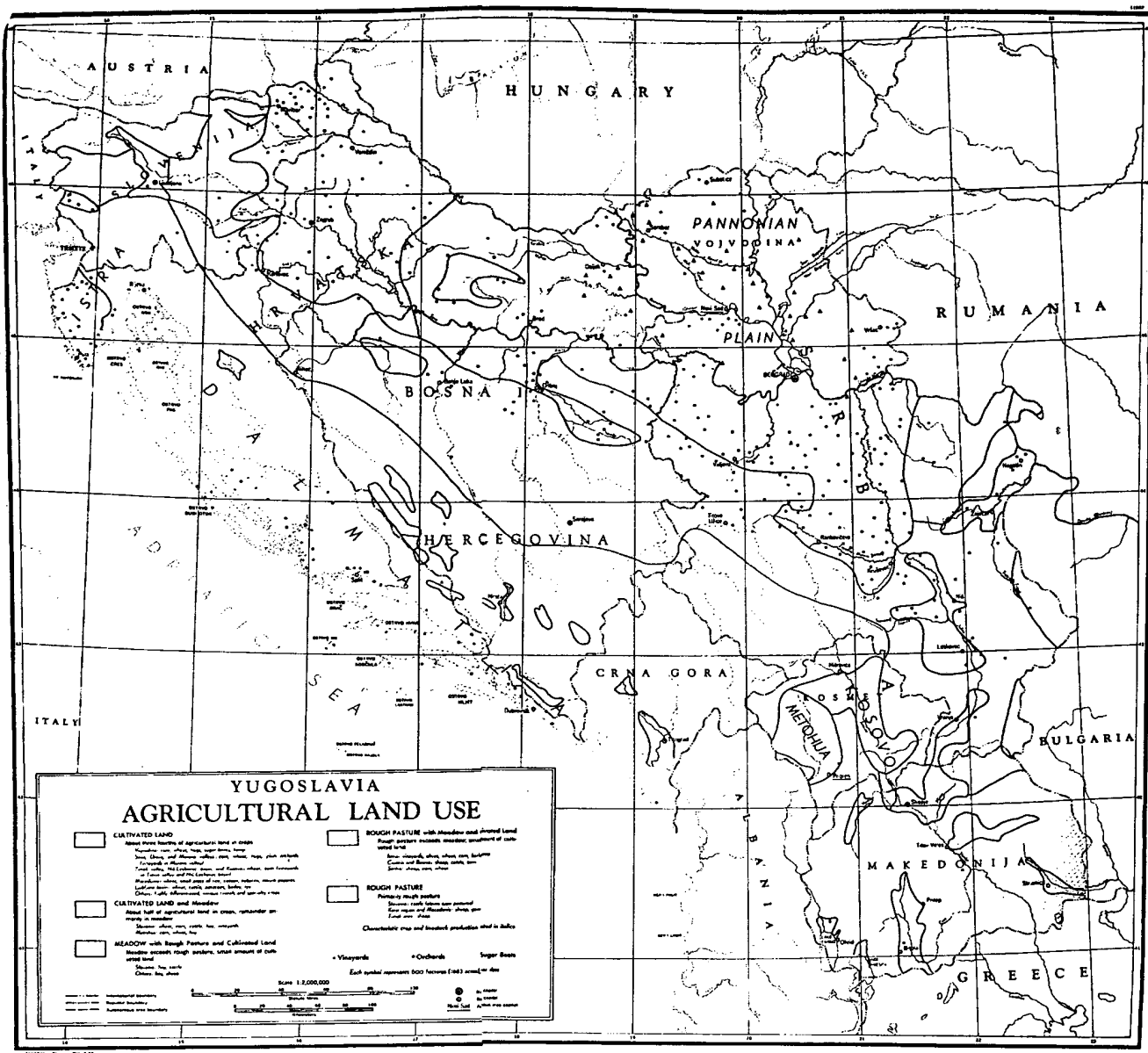
Planned Expenditures

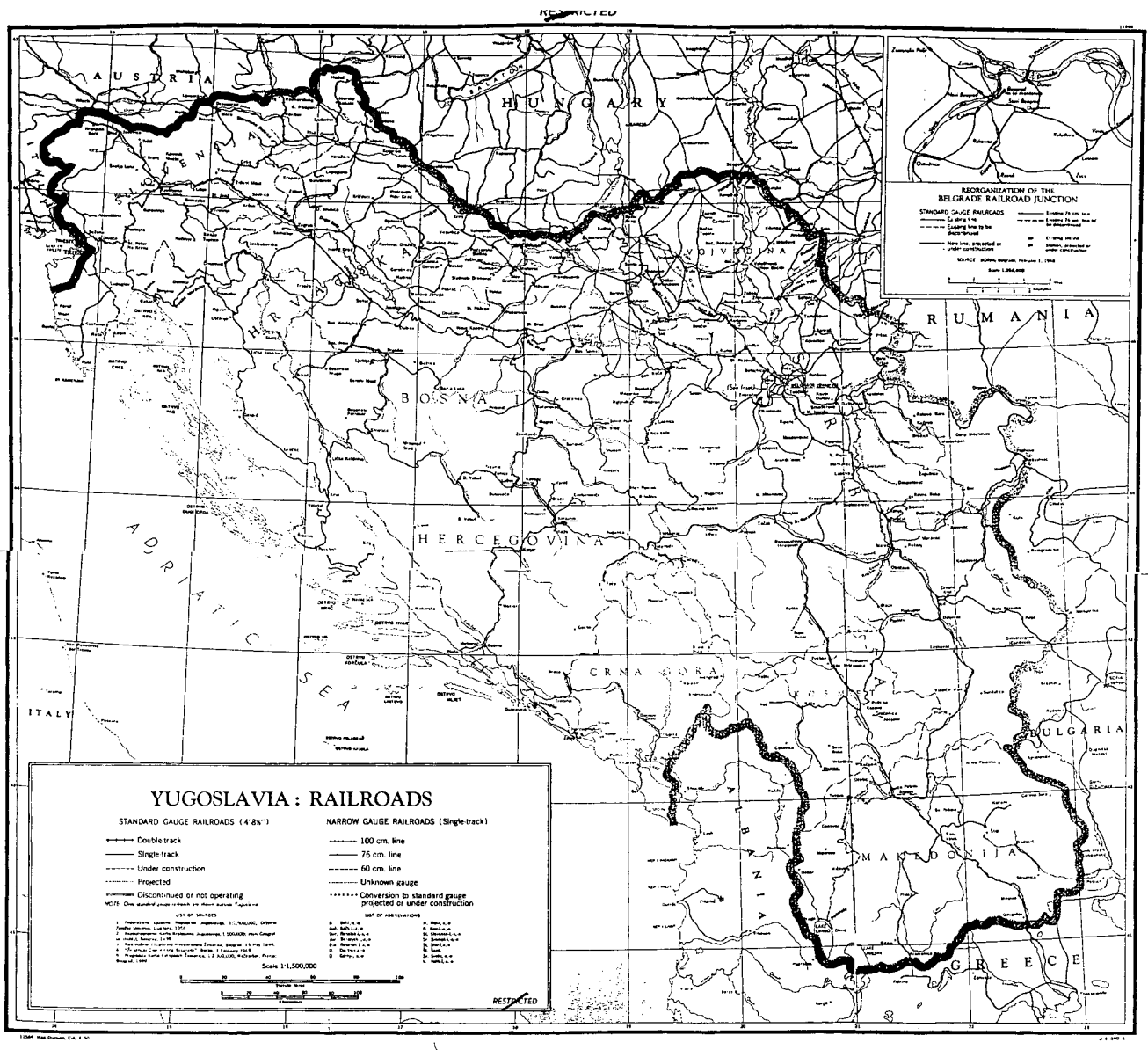
	1949	1950
State Economic Sector		
(Covers operations of and investments in State Enterprises)	51.2	56.0
Rehabilitation		
(Includes housing program)	26.2	21.2
Education and Culture		
(Mainly dispensed through Republic budgets)	8.6	13.7
Social Welfare and Health		
(Partially financed from Republic budgets)	22.3	23.4
National Defense¹	25.0	28.0
Administration		
(Estimated to be primarily for Ministries of Finance, Interior, Posts and Telegraph, and Foreign Affairs)	14.8	15.4
Reserve Account		
(Covers adjustments in planning and subsidies, including those to cover deficits of certain Republic budgets)	13.8	16.0
TOTAL	161.9²	173.7

¹ Includes only direct National Defense appropriations, para-military and other expenses for the armed forces, such as education, security, and labor battalions, and certain types of investment are estimated as equaling over 25 percent of direct defense appropriations.² Expenditures in 1949 amounted to 96 percent (or 155.3 billion dinars) of those planned. The shortfall was caused by an inability to fully invest funds as planned owing to the Cominform economic blockade and certain economies in Administration and National Defense.NATIONAL INCOME AND INVESTMENTS, 1947-50¹
(millions of dinars)

	National Income	Investments	Percentage of National Income
Year			
1947	132.995	43.724	32.8
1948	189.725	65.957	34.8
1949	227.691	60.239 ²	26.5 ²
1950 (plan)	245.870	89.297	36.3
TOTAL	796.281	259.217	32.5

¹ Yugoslav official statistics.² Approximate.





YUGOSLAVIA : RAILROADS

STANDARD GAUGE RAILROADS (4'8 1/2")

- Double track
- Single track
- Under construction
- Projected
- Discontinued or not operating

NOTE: One standard gauge track on Adriatic coast.

NARROW GAUGE RAILROADS (Single-track)

- 100 cm. line
- 76 cm. line
- 60 cm. line
- Unknown gauge
- Conversion to standard gauge projected or under construction

LIST OF ABBREVIATIONS

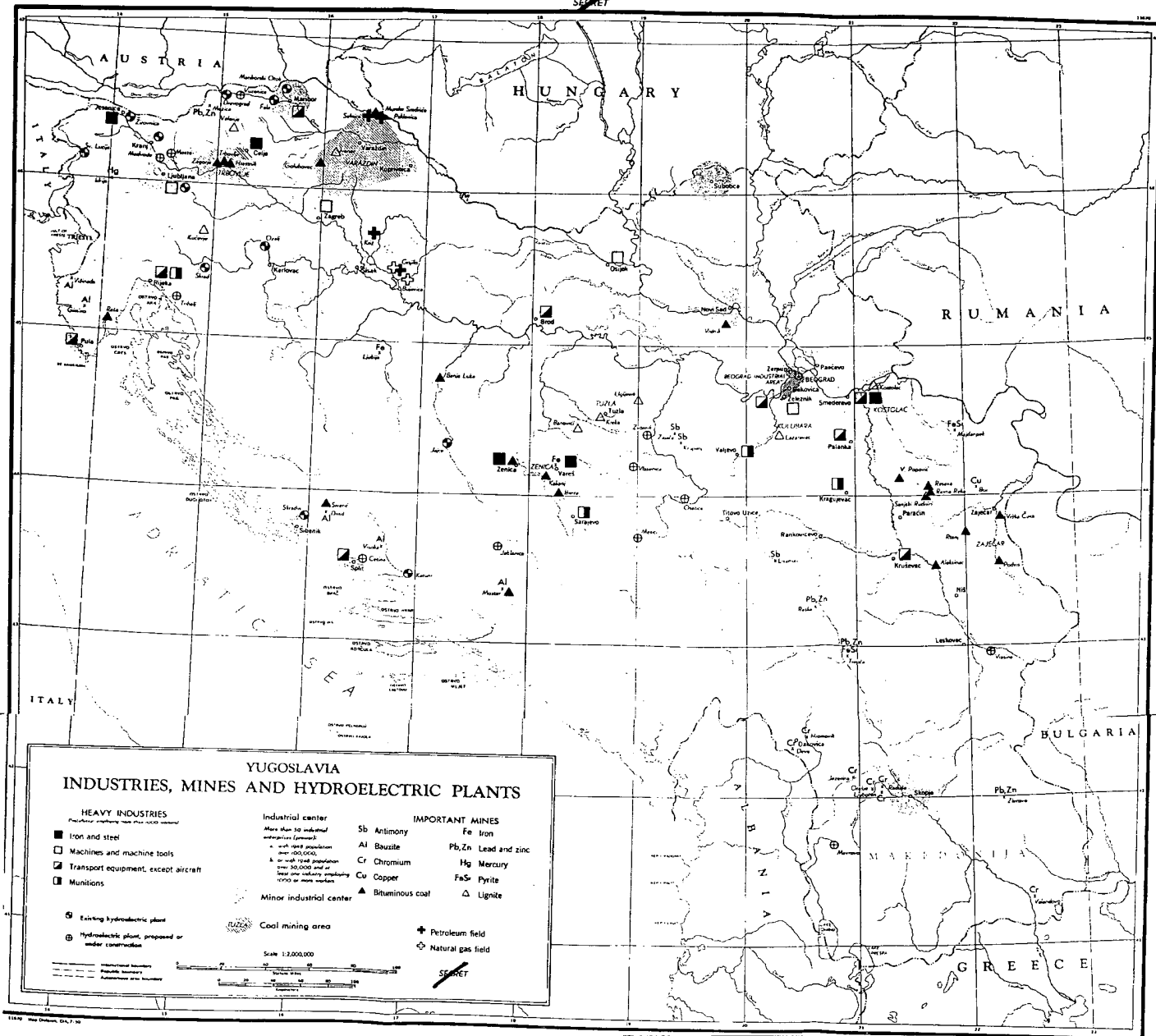
- B. Belgrade
- L. Ljubljana
- N. Novi Sad
- P. Podgorica
- R. Rijeka
- S. Sarajevo
- T. Titograd
- Z. Zagreb

- 1. Federal Republic of Yugoslavia, September 1, 1945
- 2. Federal Republic of Yugoslavia, September 1, 1945
- 3. Federal Republic of Yugoslavia, September 1, 1945
- 4. Federal Republic of Yugoslavia, September 1, 1945
- 5. Federal Republic of Yugoslavia, September 1, 1945
- 6. Federal Republic of Yugoslavia, September 1, 1945
- 7. Federal Republic of Yugoslavia, September 1, 1945
- 8. Federal Republic of Yugoslavia, September 1, 1945
- 9. Federal Republic of Yugoslavia, September 1, 1945
- 10. Federal Republic of Yugoslavia, September 1, 1945

Scale 1:1,500,000

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